

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 8068**

**BILL NUMBER:** HB 2039

**DATE PREPARED:** Jan 13, 2001

**BILL AMENDED:**

**SUBJECT:** Gasoline Tax.

**FISCAL ANALYST:** James Sperlik

**PHONE NUMBER:** 232-9866

**FUNDS AFFECTED:**     **GENERAL**  
                              **X DEDICATED**  
                              **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill replaces the per gallon tax with a cents per mile tax, effective January 1, 2002. It provides that the cents per mile tax is based on a formula involving the average miles per gallon and the Indiana vehicle miles traveled. The bill requires \$0.01 of the cents per mile tax collected for each gallon of gasoline to be transferred to the State Highway Road Construction and Improvement Fund (SHRCIF).

**Effective Date:** July 1, 2001; January 1, 2002.

**Explanation of State Expenditures:** *Summary:* This proposal will result in an increase in gasoline tax revenue estimated at \$19.02 M in FY 2002 and \$38.04 M in FY 2003. This represents an increase in collections of 8.2% (based on a tax rate increase of about 8.7%). The funds affected by the increased revenue are the Motor Vehicle Highway Account, the Fish and Wildlife Fund, and the Highway Road and Street Account.

The proposal will also result in a reduction of revenue transferred to the SHRCIF by an estimated \$133,989. (Under the current taxing formula, about \$30.9 M would be transferred to the SHRCIF, while under the proposed method, approximately \$30.8 M will be transferred.)

The entities affected by this proposal include: Department of Transportation, Bureau of Motor Vehicles, State Police (all of whom receive distributions from the Motor Vehicle Highway Account), Department of Natural Resources, and local units who receive distributions from the Motor Vehicle Highway Account and the Local Road and Street Account. This includes cities, towns, and counties. In addition, the Department of Transportation receives a distribution from the Highway Road and Street Account.

*Background:* This proposal attempts to capture the gasoline taxes lost because of more fuel efficient vehicles. The formula for the calculation of the tax involves the Indiana Vehicle Miles traveled and the gallons of

gasoline taxed. In addition, the bill provides for \$0.01 of the cents per mile tax to be transferred to the State Highway Road Construction and Improvement Fund (SHRCIF).

The new formula provides for dividing the Indiana Vehicle Miles Traveled (VMT) by gasoline gallons taxed to determine the average miles per gallon.

Indiana VMT 1999	70,041,000,000
Implied gallons gasoline taxed	4,261,814,188
Average Miles per Gallon	16.2666

#### Gasoline

Income Elasticity	1.014
Price Elasticity	-0.45

<u>Assumptions</u>	<u>Baseline</u>	<u>Proposal</u>	<u>Difference</u>
State Excise Tax Rate	0.15	0.163	0.013
State Sales Tax Rate	0.05	0.05	-
Federal Excise Tax Rate	0.185	0.185	-
Retail Price Per Gallon	\$1.351	\$1.364	0.013
Pre-Tax Price Per Gallon	\$0.968	\$0.968	
Percent Change, gallons sold		-0.43%	
Gallons Sold FY 2000	3.094 B	3.080 B	(13.398 M)
State Excise Tax Rev FY 2000 (Six months of tax)	\$464.1 M	\$502.2 M	\$38.042 M \$19.021 M

The table below shows the estimated additional revenue that would be generated with the newly created formula and rate determination.

<u>Time Period</u>	<u>Rate</u>	<u>Estimated Revenue</u>
Jan. 1, 2002 to June 30, 2002	0.163	<u>\$19,021,270</u>
Total FY 2002		\$19,021,270
Total FY 2003	0.163	\$38,042,540

In addition, the bill provides for \$0.01 of the cents per mile tax to be transferred to the State Highway Road Construction and Improvement Fund (SHRCIF). This would amount to approximately \$30,809,524 under the new provision, while under the old law, the distribution to SHRCIF would amount to approximately \$30,943,322. This represents a loss to the SHRCIF of \$133,989.

#### **Explanation of Local Expenditures:**

#### **Explanation of Local Revenues:**

**State Agencies Affected:** Department of Revenue; Department of Transportation; State Police; Bureau of Motor Vehicles; as recipients of distribution from the Motor Vehicle Highway Account into which part of the gasoline tax is deposited; Department of Natural Resources as a recipient of Fish and Wildlife distributions.

**Local Agencies Affected:** Those units which receive distributions from the Motor Vehicle Highway Account and the Local Road and Street Account.

**Information Sources:** Larry DeBoer of LSA, 232-9844; Federal Highway Administration data.